

"What are my retirement benefits if I am no longer employed by the State or County?"

October 2006

HYBRID PLAN

EMPLOYEES' RETIREMENT SYSTEM
CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1400
HONOLULU, HAWAII 96813-2980
Phone: 586-1735
Fax: 587-5766

This handout offers general information on pre-retirement issues. It is only a summary and does not constitute a legal document and is subject to change. Nothing contained herein shall be construed to amend, modify, override, or nullify a state statute, rule, policy, procedure or document used in the retirement process. You may obtain more detailed information by contacting the nearest ERS office. (Other ERS locations and phone numbers listed on the last page.)

FREQUENTLY ASKED QUESTIONS BY THOSE LEAVING STATE AND COUNTY EMPLOYMENT

HYBRID PLAN

1. How do I know whether I am in the Hybrid or Noncontributory Plan?

Most employees hired from July 1, 2006 are Hybrid Plan members. Hybrid Plan members also include employees hired before July 1, 2006, who made the choice to transfer to the Hybrid Plan from the Noncontributory or the Contributory Plan. Hybrid members are required by law to have retirement contributions deducted from their monthly gross salary. If you are a Hybrid member, your pay stub will show a retirement deduction of either 6.0% or 9.75% of your monthly gross salary depending on your occupation.

Contributory Plan members are required by law to have retirement contributions deducted from their monthly gross salary. If you are a Contributory member, your pay stub will show a retirement deduction of either 7.8% or 12.2% of your monthly gross salary, depending on your occupation.

Noncontributory Plan members are most employees hired from July 1, 1984 and before July 1, 2006, as well as employees hired before July 1, 1984 who made the choice to transfer from the Contributory Plan. If you are a Noncontributory member, no retirement contributions are deducted from your monthly gross salary.

2. What are the minimum requirements for retirement?

- If you have a combined total of 5 or more years of credited hybrid and noncontributory service, you can retire at age 62 with full benefits.
- If you have a combined total of 30 or more years of credited hybrid and noncontributory service, you can retire at age 55 with full benefits.
- If you have a combined total of 20 to 29 years of credited hybrid and noncontributory service AND are between age 55 and 62, you can retire early with a reduced pension. The reduction in your pension is 5% for each year below age 62.
- We can accept your retirement application up to 150 days but not less than 30 days before your retirement date.
- In addition, you must retire on the 1st day of a month (except for December, which can be either the 1st or 31st). Your "close of business" (COB) date must be before your retirement date.

3. Am I entitled to any retirement benefits after I leave my job?

If you have 5 or more years of credited service in the Employees' Retirement System (ERS):

- You have "vested benefit status" and WILL BE eligible for a retirement benefit when you meet the age requirement. Refer to Question #2 for the eligibility requirements. Please contact our office to request retirement estimates 12 months before you want to retire. If you return to a regular County or State job (includes Judiciary, University of Hawaii, Department of Education, and Legislature) before you retire, you will return as a vested member of the Hybrid Plan, IF you did not receive a refund of your contributions.
- If you receive a refund of your contributions and interest, all of your credited service will be forfeited and you will NOT be eligible for retirement benefits. Your refund will consist of your contributions and interest, plus an additional 50% of your Hybrid contributions and interest. If you are rehired, you will begin as if entering service for the first time.

If you have less than 5 years of credited service:

- If you do not receive a refund of your contributions, you will retain your credited service, but will not be eligible for retirement benefits unless you return to another County or State job and meet the service and age requirements for retirement benefits. If you return within 4 calendar years of your termination, you will retain all of your service credit and your original membership date. If you return after 4 calendar years and are enrolled in the Hybrid Plan, you will retain all of your credited service, but you will have a new membership date.
- If you receive a refund of your contributions and interest, all of your credited service will be forfeited. If you are rehired, you will begin as if entering service for the first time.

If you return to work, you should check with the personnel office as to whether the new job will be covered by ERS.

You do not have to make a decision on the refund now. You can request a refund at any time. However, once a refund is processed, all of your credited service will be forfeited. Any refunded Hybrid service can never be acquired nor purchased for a future retirement benefit.

If you do not request a refund after your employment is terminated, the ERS will process a refund as soon as possible, after you attain age 62. If you qualify to retire at age 62, you should submit a retirement application up to 150 days but not less than 30 days before your retirement date.

4. What is credited service?

Credited service is service as an employee paid by the State or County for which retirement credit is given. It includes regular membership service and authorized leaves such as industrial injury, sabbatical, educational, professional improvement, and maternity, for which contributions, if required, are made. Previous service and active military duty may also be included, but you must file a claim with the ERS before you leave State or County employment.

5. How will my monthly pension be computed?

$$2\% \times \text{Years of Service} \times \text{Average Monthly Salary}^*$$

*The Average Monthly Salary is the monthly salary based on your “average final compensation.” Your “average final compensation” (AFC) is the average annual earnings for your three (or for some people, five) highest paid years of credited service as a State or County employee.

6. How will my monthly pension be computed if I have mixed service?

$$2\% \times \text{Years of Hybrid Service} \times \text{Average Monthly Salary}^* \\ \text{PLUS}$$

$$1 \frac{1}{4}\% \times \text{Years of Noncontributory Service} \times \text{Average Monthly Salary}^*$$

*The Average Monthly Salary is the monthly salary based on your “average final compensation.” Your “average final compensation” (AFC) is the average annual earnings for your three (or for some people, five) highest paid years of credited service as a State or County employee.

Example for “Mixed Service”:

Jim had 4 years of Hybrid Plan and 8 years of Noncontributory Plan service. When he reaches his 62nd birthday, he may retire with pension benefits as shown below:

Years of Service	X	Benefit Formula	X	Monthly Salary	=	Monthly Pension
4 years		2% (Hybrid)		\$3,000		\$240
8 years		1 ¼% (Noncontributory)		\$3,000		300
MAXIMUM ALLOWANCE						\$540

7. What about my sick leave?

Unused sick leave will be used to increase your retirement benefit if you have at least 60 days of unused sick leave and leave government service in good standing. Every 20 days of unused sick leave is equal to one month of service credit. However, unused sick leave cannot be used to meet the minimum retirement eligibility requirements. Your personnel office will determine your unused sick leave balance.

60 days / 20 days	=	3 months of additional service credit
240 days / 20 days	=	12 months (1 year)
70 days / 20 days	=	3.5 months is rounded to 4 months

If you have sick leave earned under the Hybrid and the Noncontributory Plans, a split benefit formula will be used on a first in/first out basis. Sick leave earned under the Hybrid Plan is calculated at 2% and sick leave earned under the Noncontributory Plan will be calculated at 1.25%.

Example: Wes has 4 years and 9 months of credited service and 3 months of unused sick leave. The 3 months of unused sick leave cannot be used to meet the 5-year minimum service requirement.

If Wes had 5 years of credited service, the 3 months of unused sick leave would increase his monthly retirement benefit.

8. What about my lump sum vacation payment?

Your lump sum vacation payment is determined by your Personnel/Payroll Office. It will not increase your ERS membership service credits. If you were hired prior to January 1, 1971, the lump sum vacation payment will be added to your highest 5 years of earnings to calculate your average final compensation (AFC) for retirement purposes.

9. What taxes do I have to pay if I take a refund?

- Federal income taxes are due on the taxable portion of your refund payment. If you are below age 59½, an additional 10% tax on the taxable portion of your refund must be paid to the Internal Revenue Service. However, you can defer these taxes by rolling over the taxable portion into an IRA within 60 days.
- Your refund payment is not subject to State of Hawaii income tax

10. Are death benefits payable, after I leave my job?

If you had less than 5 years of credited service, your designated beneficiary will receive only the total amount of your retirement contributions, including interest.

If you had five or more years of credited service at the time of death, your beneficiary will receive your hypothetical account balance (contributions and interest plus an additional 50% of Hybrid Plan contributions and interest).

11. Is there a penalty if I come back to work after retirement?

Retirees who return to work in ERS membership positions (50% full-time equivalence for more than 3 months) will have their pensions suspended until their next retirement. They will earn additional retirement credits during the second employment term and the additional retirement benefit for this period will be "tacked on" the member's original monthly benefit.

Retirees who return to positions that do not require ERS membership (less than 50% full-time equivalence or employment terms not exceeding 3 months) can continue to retain their ERS pension and health benefits.

12. What about contract work?

You must check with the personnel office as some contract work does not require ERS membership and you will not earn service credit.

Additional Questions? Call or write to us on Oahu or at the following ERS locations:

Maui: State Office Building, Room 218
54 S. High Street
Wailuku, Hawaii 96793

Phone: 984-8181, 984-8282
FAX: 984-8183

Hawaii: 101 Aupuni Street, Room 208
Hilo, Hawaii 96720

Phone: 974-4077, 974-4076
FAX: 974-4078

Kauai: 3060 Eiwa Street, Room 302
Lihue, Hawaii 96766

Phone: 274-3010, 274-3011
FAX: 271-3193

Neighbor islanders may also call toll free to Oahu for assistance:

Hawaii:	974-4000, extension 61735
Maui:	984-2400, extension 61735
Kauai:	274-3141, extension 61735
Molokai/Lanai:	1-800-468-4644, extension 61735

ERS members only may call toll free from the U.S. mainland 1-888-659-0708.

You can also check our website at www4.hawaii.gov/ers for additional information.